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C O N F I D E N T I A L ATHENS 000725

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STATE FOR EUR/SE, DOD FOR OSD/ISA - ELLEHUUS

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SUBJECT: GREECE DECIDES 30 NEW F-16S ARE ENOUGH

REF: 05 ATHENS 1945

Classified By: Ambassador Charles P. Ries for Reasons 1.4 (b/d)

11. (U) On March 15, the Greek Foreign Affairs and Defense cabinet committee ("KYSEA") decided not to exercise an option to augment its July 2005 decision to acquire 30 F-16 Block 52 aircraft (reftel) by an additional 10 planes. Doing so would have cost USD 536 million (i.e., USD 39.8 million per plane for the additional ten), but would have reduced the per plane cost for all 40 planes from USD 44.9 million to USD 43.6 million. In comments to the press immediately after the announcement, new MOD Meimarakis said the decision was based on "everything," not just economics. Following up on Meimarakis's comments, government spokesman Roussopoulos told reporters that Greece needed a total of 60 new aircraft to maintain the balance of power in the region -- the 30 F-16s under the original LOA and an additional 30 (yet unidentified) "fourth generation" fighters. The spokesman referred several times to the need to look after the interests of Greek taxpayers at a time of tight budgets. Asked whether the next contract would go to Eurofighter, Roussopoulos said KYSEA had not begun to consider the matter.

12. (C) Press reports and Lockheed Martin contacts have said that newly-appointed FM Bakoyannis fought hard for the F-16, but was overruled by PM Karamanlis. Former FM Molyviatis, while admitting that he had not been involved in the decision, told Ambassador March 15 that he believed it was motivated primarily by a feeling that Greece had to "get in touch with the European Union common defense." Greece needed to be prepared to buy European, even if doing so was more expensive, he said. Working-level officials in the Hellenic Air Force attributed the decision to economics. The EU recently praised Greek efforts to bring its budget in line, they said, but defense acquisition budgets were extremely tight.

13. (U) Most local press linked the decision to the ongoing controversy over allegations that the United States was behind the wiretapping of senior government officials. Pro-opposition "To Vima" noted the awkwardness the government would have if it tried to make this case to the public, even informally, however, noting that the Prime Minister was aware of the bugging when his government signed the original LOA. Several papers call the move a sign that the government will turn to Europe for its next aircraft buy and will look to purchase a "modern" plane instead of the "outdated" F-16.

14. (C) The fact that the government has decided against the additional planes does not remove the need to amend the original LOA. To reduce the per plane price of the first 30 F-16s, the government omitted key items -- such as spares, armaments, a reconnaissance system, and delivery -- from the original LOA. To avoid significant additional costs, Greece needs to sign an amendment to the original LOA by early summer, a deadline the government will need to scramble to meet.

Comment

15. (C) Commercial and political pressure on Greece from Eurofighter countries has been strong, a factor which weighed heavily on this decision, as has the general Greek popular desire to maintain a pro-European identity. That said, the widely trumpeted allegations that the United States was involved in the wiretapping of senior Greek officials created an environment in which it would have been extremely difficult to approve the additional F-16s. Ultimately, the Prime Minister appears to have calculated that the economic and military logic of increasing the Greek F-16 fleet at this time were outweighed by the political risks of doing so. We have by no means conceded the next fighter sale to the Europeans, and are marshalling the strong economic, military, and political arguments in favor of American competitors.
Ries